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Spain

Cotton and Products Annual

2016

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Report Highlights:
Area planted to cotton in MY 2016/17 will remain stable compared to 2015/16 levels. Despite the lower prices received by farmers, no big changes in plantings are foreseen as in the areas where cotton is grown there are little alternatives available.

Disclaimer: This report presents the situation for cotton in Spain. This report contains the views of the authors and does not reflect the official views of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

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Abbreviations used in this report

EU European Union
FAS Foreign Agricultural Service
GTA Global Trade Atlas
MS EU Member State(s)
MT Metric ton (1,000 kg)
Bales (1 Bale = 226.8 kg)
MY Marketing year (Aug/Jul)
MAGRAMA: Ministry of Agriculture, Food and Environment
ESYRCE Annual Survey on Crop Area and Yields
PS&D Production, Supply and Demand
Ha Hectares (1 Ha = 2.471 acres)
N/A Not Available
GE Genetically engineered
Harmonized Codes for Lint Cotton (HS code): 5201

Executive Summary

Spain is the EU's second largest cotton growing Member State after Greece. Cotton production in Spain is concentrated in Andalucía, Spain's southernmost peninsular region. Cotton is a critical crop from the environmental, social and economic point of view in the areas where it is grown, as alternatives are limited. Area planted to this crop in MY2016/17 is expected to remain at similar levels to last season.

Area and Production

The vast majority of cotton is grown under irrigation. Area planted to cotton varies depending on price expectations and water availability, competition by other crops and subsidies available.

In **MY2014/15** subsidies played a key role in planting decisions. Cotton farmers increased area planted to cotton and were especially careful with this crop which resulted in higher yields.

Area planted to cotton in **MY 2015/16** returned to average levels, as securing CAP payments no longer represented an incentive and prices received by farmers were below expectations Area projections for MY2016/17 are fairly similar to MY2015/16 levels. Despite the lower farm prices, no big changes in plantings are foreseen as in the areas where cotton is grown there are little alternatives available.

Table 1. Cotton Area, Production and Yields

MY	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17f
Area (1,000 Ha)	58.6	63.2	67.1	69.8	64.0	75.0	63.4	65
Production (1,000 MT)	79.2	115.1	182.8	191.7	145.6	226.2	172.4	175
Yields (Kg/Ha)	1,352	1,821	2,724	2,746	2,275	3,016	2,719	2,696

Source: MAGRAMA and FAS Madrid estimates.

Consumption

Spain has eight ginning plants in Andalucía, of which only seven are currently operational.

According to Spanish industry, raw cotton processing rates are as follows:

- Cotton Lint yield = 32-33% (national weighted average) of total Seed Cotton delivered to ginneries
- Cottonseed yield = 54% (national weighted average) of total Seed Cotton delivered to above ginneries

- The remaining 13-14% is moisture and waste[1].

Higher Value Products – Textile Products

The Association for Industrial Textile Cotton Processing reports an increase in fabric production throughout 2015. The 2 percent decline on yarn production was offset by the 5 percent increase on fabric production (**Table 2**). The production recovery initiated in mid-2014 has continued throughout 2015. AITPA, the Spanish cotton industry board, points to the improvement of exports and domestic demand recovery as the main drivers for the production increase.

Main destinations for Spanish yarns and fabric continue to be Morocco and other EU Member States, such as Italy, Portugal, France and Germany. These markets represent nearly 60 percent of total exports. The recovery of the internal demand has also resulted in increased imports cotton products imports. The main origins include Pakistan, China, Turkey, Portugal and Italy. .

Production of textile products in 2016 is anticipated to level off. Despite the ongoing increase of domestic demand, exports to other EU members in 2016, will continue be critical for the cotton industry evolution. Exchange rates, raw cotton prices and competition from third countries are key factors influencing cotton products trade.

Table 2. Cotton Yarn and Fabric Production (MT)

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015p**
Yarn	110,768	79,527	72,507	65,949	44,013	38,030	40,198	39,275	35,215	36,659	34,473	36.735
Fabrics	112,466	96,501	80,608	47,766	30,815	27,888	29,059	29,666	28,620	27,790	29,735	28.923

Source: AITPA (Association for Industrial Textile Cotton Processing)
p: provisional data

[1] *Average moisture and waste content comply with quality requirements for the Cotton Quality Premium.*

Trade

Spain is a net exporter of cotton lint, with exports largely exceeding imports. Other EU Member States are their main destination, followed by Morocco and Southeast Asian Countries (**Table 3**). Spain cotton lint imports originate mainly in Pakistan and Turkey (**Table 4**).

Table 3. Spain Exports of Cotton Lint(MT)

Country of Destination	MY2010/11	MY2011/12	MY2012/13	MY2013/14	MY2014/15
EU-28	13,228	19,299	17,674	12,246	28,738
China	6,747	4,432	6,486	7,006	9,103
Morocco	970	3,174	5,254	3,196	17,012
Bangladesh	3,124	1,781	2,820	6,017	6,873
Indonesia	-	1,064	2,440	708	2,540
Malaysia	1,620	2,709	1,759	1,784	2,902
Thailand	1,174	205	1,681	2,939	2,589
Other	7,913	24,009	19,280	10,214	9,475
TOTAL EXPORTS	**34,776**	**56,673**	**57,394**	**44,110**	**79,232**

Source: GTA.

Table 4. Spain Imports of Cotton Lint (MT)

Country of Origin	MY2010/11	MY2011/12	MY2012/13	MY2013/14	MY2014/15
EU-28	257	1024	478	83	76
Pakistan	726	900	599	613	575
Argentina	1724	422	0	0	0
Turkey	758	381	728	160	390
Burkina Faso	91	266	47	75	686
Korea South	0	238	61	0	0
Cote d Ivoire	222	232	299	0	0
Cameroon	0	200	0	659	120
Mali	0	100	0	25	0
Other	1,806	119	1,143	1,351	1,998
TOTAL IMPORTS	**5,584**	**3,882**	**3,355**	**2,966**	**3,845**

Source: GTA.

Policy

At the moment the **Cotton Specific Support,** as established by Spain's EC Accession Treaty, serves as the only policy incentive for cotton production (**Table 5**). Since MY2015/16 the **Cotton Quality Premium** is no longer available nor is the **Integrated Farming Payments** either since MY2013/14.

In 2015, the **Single Payment Scheme** has been replaced by the so-called **Basic Payment**, which is not crop specific. Spain has opted for a region-based system. A total of 316 counties in Spain were considered. The Basic Payment calculation for these counties takes into account four different land uses: irrigated land, non-irrigated land permanent crops and pasture land. Other factors such as the amount of support previously received have been considered. As a result, a total of 50 regions have been defined. These regions will be granted with different levels of support, which will only be determined once the 2015 applications are submitted.
Broadly speaking, the amount of the Basic Payment allocated to each region defined will represent the support granted to the type of land use. The amount of support received will be calculated based on the subsidies received in 2014. In the irrigated land in the Guadalquivir basin, where most of the cotton is grown, industry sources estimate that Basic Payment would add up to about 450 Euros per hectare. Also, a large part of the support received by farmers will be linked to greening measures compliance.

Cotton Specific Support

In 2006, area planted to cotton in Spain suffered a significant decline in as a result of the implementation of the EU cotton reform, reaching a record low in MY2008/09.

In MY2009/10 the Regulation (EC) 637/2008 introduced some amendments to the cotton regime: national guaranteed area was reduced from 70,000 ha to 48,000 ha with a total budget of 67.2 million Euros.

Since MY2009/10 the cotton aid increased in value per hectare, but less acreage can benefit from this payment. Specific conditions to be eligible to receive this coupled support are defined annually in Spain's National Gazette.

Ministerial Order AAA/285/2016 establishes the requirements to be granted with the cotton specific premium in MY2016/17, which consists of:

- Only agricultural plots that were not planted to cotton[2] in the previous season, but that at least were planted to cotton once in the marketing years 2000/01, 2001/02 or 2002/13, can be subject of this specific support.

[2] *Plots below 10 Hectares exempted from this requirement.*

- Only cotton varieties contained in the EU Plant Varieties Common Catalogue will be receiving the cotton specific support premium.

- Seeding density should be over 100,000 plants per hectare in irrigated plots and over 90,000 plants per hectare in non-irrigated plots. Seeding density can be just 75,000 plants per hectare in case of interspecific hybrid varieties.

- Crop should develop under normal conditions and be harvested. Production obtained must meet minimum quality requirements.

Currently, the budget for the Cotton Specific Payment is fully used even though correction factors are needed to adjust the reference area payment to the actual subsidy-eligible area.

Since MY2014/15 the reference amount for the area payment has been revised down from 1,400 Euros/Ha to 1,267.53 Euros/Ha. Eligible area in MY2015/16 amounted to 62,236.25 Ha.

Table 5. Subsidies

Support Scheme	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17 f**
Specific payment adjusted (€/ha)	1,190	1,105	1,024	983	1,060	825	978	950
Article 69 payment (€/ha)	480.47	289.81	224.75	-	-	-	-	-
Article 68 payment (Euros/MT)	-	-	-	77.68	95.12	57	-	-
Basic Payment	-	-	-	-	-	-	450*	450*
Integrated farming aid (€/ha): Under 40 ha. Between 40 and 80 ha.	350 210 105	350 210 105	350 210 105	350 210 105	-	-	-	-

More than 80 ha.								
Basic Agro-environmental Support 2015-2020 (€/ha) (with additional Commitment)	-	-	-	-	-	-	290.27 (433.44)	290.27 (433.44)

Source: FEGA and FAS Madrid estimates.
**Industry estimate*

The regional government of Andalucía has defined an Agro environmental measure for cotton growers. Since MY2015/16 to be granted with the Basic Aid (290.27 €/ha), the requirements are as follows:

- Integrated farming practices must be carried out and accredited.
- Land under eligible crops[3] must be at least 0.5 Ha
- Farmers must attend to two courses of mandatory training on agro-environmental commitments within the 4 years period.
- Crop residue should be shredded and uniformly distributed.
- Farmers must accredit compliance with agro-environmental commitments.
- Farmers must grow a legume crop at least once within the 5 years period of commitment as a second crop to cotton. The legume crop should be carried out between Fall and up to at least February 28 of the following year, once the legume crop has reached milky stage.
- Additionally, farmers may volunteer to grow and bury a crucifer crop at least once within the 5 years period of commitment as a second crop to cotton. The crucifer crop should be carried out between Fall and up to at least February 28 of the following year. Those farmers can receive a total amount of 433.44 €/ha as Agro-environmental Support.

[3] *Eligible crops include cotton and sugar beets.*

Production, Supply and Demand Data Statistics

Table 6. Cotton Lint Production (Hectares, Bales)

Cotton Market Begin Year	**2014/2015**		**2015/2016**		**2016/2017**	
	Aug 2014		**Aug 2015**		**Aug 2016**	
Spain	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	0		0			
Area Harvested	75	75	70	63		65
Beginning Stocks	48	48	21	21		20
Production	340	340	240	260		265
Imports	16	17	15	18		19
MY Imports from U.S.	0	0	0	0		0
Total Supply	404	405	276	299		304
Exports	363	348	225	220		216
Use	20	36	25	59		66
Loss	0	0	0	0		0
Total Dom. Cons.	20	36	25	59		66
Ending Stocks	21	21	26	20		22
Total Distribution	404	405	276	299		304
(1000 HA) ,1000 480 lb. Bales						

Source: FAS Madrid estimates.

Other Related Reports

Report Title	**Date Released**
Spain - Cotton update 2015	11/04/2015
Biotechnology and other New Production Technologies - Spain	7/13/2015
Warm Spring Drives Down Spanish Winter Grains Harvest	7/1/2015
Spain - Cotton and Products Annual 2015	3/25/2015